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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 001564

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DEPT FOR NEA/ARP, BAGHDAD FOR CRIES AND TSCHWARTZ

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TAGS: [PREL](#) [ENRG](#) [EPET](#) [ECON](#) [KU](#) [IZ](#)
SUBJECT: IRAQI ELECTRICITY MINISTER GETS GOK COMMITMENT TO
FIX FUEL SHIPMENT PROBLEMS (AGAIN)

REF: A. KUWAIT 1562
[1](#)B. KUWAIT 1441
[1](#)C. KUWAIT 1047

Classified By: CDA Alan G. Misenheimer for reasons 1.4 (b) and (d)

[1](#)1. (C/NF) Summary: Iraqi Electricity Minister Dr. Karim Wahid Hasan visited Kuwait from 27-29 October for meetings with the Prime Minister, Acting Oil Minister, Kuwait Petroleum Corporation (KPC) CEO, and the Speaker of the National Assembly to facilitate Kuwaiti fuel shipments to Iraq for power generation. He provided CDA with a readout of all but the meeting with the Speaker, which was scheduled to take place immediately prior to the Minister's departure from Kuwait. Dr. Karim explained that the objectives of his visit were to persuade the GOK to influence Kuwait-based AIMS transportation company to finally deliver fuel shipments due to Iraq's SOMO (State Oil Marketing Organization) under an old contract, to extend the term of a new contract for diesel fuel between SOMO and KPC (Ref B), and to clear any remaining obstacles that might prevent Kuwait-based Rehal Transportation Company from delivering the new KPC diesel fuel. Dr. Karim also delivered a letter from Iraqi PM Nouri Al-Maliki to Kuwaiti PM Shaykh Nasser Mohamed Al Sabah conveying the GOI's frustration that AIMS still has not delivered any fuel even though the GOI, at the request of the Kuwaiti PM, satisfied all the company's previous claims for outstanding fees and demurrage. Dr. Karim complained that he could not work with Iraqi Oil Minister Shahrastani and could not rely on the Iraqi Ministry of Oil to reliably provide the fuel he needs for power generation, so he needs to look outside Iraq for a fuel source. He emphasized that it was in the shared interests of the USG, GOK, and GOI to ensure that Iraq gets the fuel it needs from Kuwait rather than from Iran. Dr. Karim requested that Ambassador Crocker reinforce this point in his meetings with the Kuwaiti leadership on 29 October. Following his meetings, the Minister was cautiously optimistic, saying, "The Kuwaitis are now on our side," but adding, "they still seem a bit reluctant to cooperate," and "the Government seems weak and frightened of the Parliament." (See Ref A concerning Kuwait's October 28 cabinet reshuffle.) Dr. Karim said the Kuwaiti Prime Minister ordered the (then) Acting Oil Minister to follow up on the AIMS transportation issue, and KPC agreed to extend its three-month diesel contract with SOMO for an additional year. End Summary.

PM-to-PM letter: GOI Frustrated. Old Fuel Commitments Still Unmet.

[1](#)2. (C/NF) Iraqi Electricity Minister Dr. Karim Wahid Hasan visited Kuwait for meetings with Prime Minister Shaykh Nasser

Mohamed Al Sabah, Acting Oil Minister Mohammad Al-Olaim, and Kuwait Petroleum Corporation CEO Saad Al-Shuwaib on 28 October, and a meeting with National Assembly Speaker Jassem Al-Khorafi on 29 October to try to facilitate the delivery of Kuwaiti fuel to Iraq for power generation. Dr. Karim visited Kuwait previously in May and July to work the same issue (Ref C). The Minister briefed the CDA and Acting DCM on 28 and 29 October on all of his meetings except the one with the Speaker, which was scheduled to take place immediately before Dr. Karim's departure from Kuwait. He provided CDA with a copy of a letter he delivered to Kuwaiti PM Shaykh Mohamed from Iraqi PM Maliki (text in para 6), which conveys the GOI's frustration that Kuwait-based AIMS transportation company still has not delivered any overdue fuel, which was purchased under an old contract, even though SOMO has paid all the demurrage and fees that AIMS demanded and that the PM (according to Dr. Karim) and Kuwaiti MP Khaled Al-Adwah each personally requested that the Iraqis pay in the interest of preserving a positive bilateral relationship. The Minister explained that the GOI is frustrated that the Kuwaiti Parliament has intervened in a way that has complicated and delayed any resolution of this issue. Dr. Karim said that even though the GOI has satisfied all of AIMS's previous demands, the company is now asking for a new payment and an extension of its old contract before it delivers any fuel. He said the Kuwait PM feigned surprise upon being informed that AIMS had not yet delivered the fuel, and ordered the Acting Oil Minister to investigate the matter and report back to him.

New Diesel Contract Extended. Tying Up Loose Ends.

13. (C/NF) Regarding the contracts for new fuel shipments, Dr.

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Karim said that KPC and SOMO initially signed a contract valid for only three months, but in his meetings with the Acting Oil Minister and KPC, they agreed to extend the contract for a year, though prices would change to reflect the current market. Dr. Karim said KPC should have the new contract prepared in two to three days. Dr. Karim also confirmed that the contract between SOMO and Rehal Transportation Company has been signed, and last week the GOI concluded all the necessary logistical, badging, and security arrangements to ensure Rehal would not have any problems on the Iraqi side of the border. Emboffs informed Dr. Karim that ARCENT has also coordinated with Rehal and confirmed that Rehal now has an adequate number of badged drivers. Moreover, ARCENT has guaranteed that Rehal will be granted border access at the military K-crossing within 48 hours of providing notification of an impending movement. Emboffs also related to Dr. Karim that Rehal has told ARCENT that the only reason they have not moved any fuel yet is that SOMO has not yet directed them to do so. Furthermore, Embassy Baghdad had indicated that there may be two additional outstanding issues to resolve: (1) a performance bond that SOMO may or may not be demanding from Rehal, and (2) a letter of credit (for SOMO) to be delivered to KPC. Dr. Karim said he believed the LOC had already been extended, but he was unaware of the performance bond issue. He said he would check on both.

Help GOI To Turn To Kuwait Rather Than Iran

14. (C/NF) Dr. Karim emphasized that it was in the shared interests of the USG, GOK, and GOI to ensure that Iraq gets the fuel it needs "from the south rather than from the east."

He asked that U.S. officials reinforce this point in conversations with the GOK and requested that Ambassador Crocker raise the matter in his 29 October meetings with the Amir, Prime Minister, Foreign Minister, and Defense Minister. (Note: CDA provided Amb. Crocker with a copy of the PM-to-PM letter prior to his meetings with the Kuwaiti leadership.) Dr. Karim added that beyond his political misgivings about

receiving fuel from Iran, the fuel offered by Iran, which is in fact re-exported from third countries, is of inferior quality and unsuitable for use in Iraqi power plants.

Cautiously Optimistic - GOK Seems To Be Onboard

15. (C/NF) Overall, the Minister was cautiously optimistic about the outcome of his visit, saying, "The Kuwaitis are now on our side," but adding, "they still seem a bit reluctant to cooperate," and "the Government seems weak and frightened of the Parliament." CDA noted that Kuwait would now have a new Oil Minister, former Finance Minister Bader Al-Humaidhi, following the 28 October cabinet re-shuffle (Ref A). Dr. Karim said he had never met Al-Humaidhi, and he did not consider it necessary to meet with him since he was confident that the Prime Minister and KPC would see to it that the required actions were carried out. (Comment: Post will follow up with the new Oil Minister.) The Minister expressed frustration and some bewilderment that Kuwait's government seemed so cowed by the Parliament. He hoped that his meeting with Speaker Al-Khorafi might help to minimize the risk that problematic MPs, such as AIMS advocate Khaled Al-Adwah, might intervene again to prevent fuel shipments from being delivered.

PM's Letter

16. (C/NF) Following is post's informal translation of PM Al-Maliki's letter to PM Al Sabah, dated October 22, 2007:

Republic of Iraq
Nouri K. Al-Maliki
Prime Minister

His Highness Shaykh Nasser Al-Ahmad Al-Sabah
Prime Minister, State of Kuwait

Peace and blessings from God,

The Government of Iraq has previously sent to Kuwait a delegation consisting of Mr. Hagem Al-Husni, former Head of the National Assembly and current Member of Parliament, and Dr. Karim Wahid Hasan, Acting Minister of Oil at that time and current Minister of Electricity. The goal of their visit was to discuss and finalize the claims of Kuwaiti AIMS

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International Co. All concerned Kuwaiti officials, including Your Highness, attended these discussions, in which you affirmed that Kuwait is ready to cooperate with Iraq now and in the future, and Kuwait will not spare any effort to help the government and people of Iraq.

The aforementioned discussion resulted in an initial agreement stating that Ministry of Oil - SOMO would pay USD 2,400,000 against the outstanding claims of the company, and the Iraqi Government - Ministry of Finance would pay USD 9,946,131 in demurrage resulting from the closing of the Iraq-Kuwait border for security reasons. It was agreed that following the payment of these outstanding claims, a mechanism would be created to enable AIMS's fuel tanker trucks (160 of them) to cross the border. It was also agreed to separate the issue of the AIMS compensation claim from the issue of the new 1,500,000 liter/day diesel contract for the Iraqi Ministry of Electricity that was then being worked out between Kuwait Petroleum Corporation and Iraqi SOMO. After the Iraqi delegation returned to Baghdad and discussed the details of this agreement during cabinet council meetings, despite our dissatisfaction with AIMS's claims, we considered our fraternal relations and the single fate of the two countries and made a decision to approve the payment of these claims. The Iraqi side has fulfilled all its obligations and the company was approached through several letters requesting that it fulfill its obligations. But, the company did not

respond. Thus, we find it strange that the company has submitted new claims that were never raised during previous discussions. The company now demands the following:

1. Additional financial compensation that was never approved during previous discussions.

2. Renewal of the contract by another new agreement with new prices, contrary to what was stated in the company's letter to our delegation regarding renewal of the contract for three months in order to allow the trucks to cross the border.

Your Highness, Prime Minister of Kuwait,
Kindly, as we would expect from your objectivity, decisiveness and true patriotism to strengthen the fraternal relations between Arab peoples, intervene to settle this issue and relieve the suffering of the Iraqi people by allowing them to receive fuel, taking into consideration that our official delegate, Minister of Electricity Dr. Karim Wahid Hasan will be arriving in Kuwait on October 28, 2007, to discuss this issue.

Thank you for your goodwill and efforts,

Nouri Kamal Al-Maliki
Prime Minister, Republic of Iraq
October 22, 2007

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MISENHEIMER